Previous references.

1923

File No. 162-23

Serial Nos. 6, 8, (a)

Later references.

GP 92. 26-112

GENERAL AND REVENUE SECRETARIAT.

P-62-E

Serial Nos.

Part B for December 1924

SUBJECT

Papers relating to the proposal to utilise the Mysore Railway Sterling Loan Sinking Fund for Capital purposes.

Serial No.

In deciding which alternative we should elect, it is necessary to bear in mind the object for which we want this Fund. We have adopted several measures to reduce our annual Revenue Finances to a condition of equdlibrium and we even managed to balance t h e budget of the current year. If the position in this year is threatened with dislocation, it is but a passing phase and, granting normal seasonal conditions, we may confidently count upon balanced budgets, providing for the full demand on account of sinking funds from current revenues.

2. In the position in which we are now placed, we do not stand in need of any extraneous aid for meeting the claims of sinking funds. What we want is money for our Capital Works. There is no prospect of our having Revenue surpluses which can be utilised for financing Capital Works. As I have explained in the recent Financial Review, we have no surplus balance of securities to draw upon for capital needs. The only alternative left for finding capital finance is to borrow and borrowing for some years to come will be expensive and it has, therefore, to be avoided as long as possible.

3. This sinking fund is, in the above circumstances, required for providing money for our Capital Works in the next few years. The demand on account

of

Serial No.

of these works during the next two or three years will be heavy, as we have got commitments on account of incomplete works, like the Krishnarajasagara Dam and Weir Works, the Sixth Installation Works, the Bangalore Transmission Line Renewal, and, the Permanent Way and Rolling Stock Renewal works of the Railway Department. These are imperative demands and if the whole of the sinking fund is not utilised for these purposes, the balance to be found otherwise will be correspondingly increased, necessitating expensive borrowing in one form or another.

4. I put up a statement x Showing the nature of the securities held at the credit of the Sinking Fund, their face value, their market value and their annual yield. The present cash value of the securities is about Rs.90 lakhs and this is, by no means, too large an amount for our capital needs in the next few years. We have, therefore, to make every effort to get the whole of the Sinking Fund made available for this purpose.

5. The first alternative proposed by the Secretary of State is our previous proposal "to draw on the Fund to the extent of Rs.11 lakhs annually for a period of five years". This proposal was made in our letter No.10 dated 12th July 1922. The object of this proposal was to reduce the annual contribution for

6 Sinking

Sinking Funds to be made from current revenues, to the extent of Rs.11 lakhs, by drawing, to an equivalent extent, upon this Sinking Fund for a period of five years. As I have stated above, we do not want now any extraneous help for meeting our liability to Sinking Funds. As one of the conditions of this proposal of utilising Rs.11 lakhs every year out of the Sinking Fund, we had offered to refund the amount "as soon as our financial condition permitted of such restoration". The election of this alternative would involve compliance with this condition of restoration of the amount. If we get annually a sum of Rs.11 lakhs every year, we shall have to find the balance required for Capital Works otherwise, and this is another disadvantage of this alternative. The only other arrangement of finding the balance is to borrow and borrowing, as I have stated above, is expensive.

6. The second alternative suggested by the Secretary of State is to allow us "to appropriate the interest on the existing Sinking Fund for a period of 15 to 20 years". The annual yield of the Sinking Fund is about Rs.5 lakhs and this is all the amount which we shall get every year according to this alternative. It is a very small part of the amount which we shall require in each of the

next

Serial No.

next two or three years. What we want is a substantial addition to our Capital finances in the near future and not a small amount spread over a long period of 15 or 20 years.

7. The second alternative proposed by the Secretary of State is not unsuited to our present needs and it cannot, therefore, be accepted. The first alternative would be better than the second, if the Secretary of State agrees to give us the whole sum of Rs.55 lakhs in one instalment, instead of spreading it over five years and if he will not also insist upon the restoration of the amount. If he is agreeable to revise this alternative in these two respects, it will be improved in the direction we desire but if he insists upon the condition of repayment, the advantages of even this alternative will be seriously reduced. Apart from this consideration, this alternative is, by no means, the best, as it still leaves us in need of having to borrow for finding the balance of our capital demands in the next two or three years.

8. I think we should press for the acceptance of the arrangement suggested by the Government of India and agreed to by us. It does not appear from what is stated in the letter under consideration that the Secretary of State has ruled it out altogether. He apprehends

Serial No.

apprehends that this arrangement would"involve the entire dispersal of the fund for the time being, leaving its reconstitution dependent upon future annual payments by the Mysore Government, which might not be forthcoming if they continue to be hard pressed financially"; it is in view of this apprehension that he has suggested two other alternatives. I do not think there is any need for this apprehension at all and it is quite easy for us to convey an unqualified assurance in this respect. There is no fear of the "dispersal of the fund" as there is no intention of utilising it unproductively. It will be earmarked for capital works and what the arrangement amounts to is the conversion of a liquid into a non-liquid asset. The Fund will be there, but only in the form of productive works and not in the form of securities.

9. As for the annual payments to be made for re-constituting the Fund, the amount to be paid annually is Rs3,60,000 and there is no reason whatever to apprehend that we shall ever be unable to make this small payment in any year. Considering our resources this amount is a very small one and the Secretary of State ought not have to have any anxiety as regards our ability to pay this amount every year. The rail-way line for which this loan was raised -- from Gubbi

G. R. S. III-21

General and Revenue Secretariat. | 9 7 File No. 162 of 1928 (6)

Serial No.

to Harihar -- is being worked by the Madras & Southern Mahratta Railway Company and this arrangement will continue till the end of the year 1937. The net revenues of this line are being paid to us by the Government of India every month and we can authorise them to retain out of such earnings a sum of Rs.3,60,000 towards the annual contributions of the new Sinking Fund. For the next 14 years, therefore, the money to be appropriated annually towards the Sinking Fund will be in the possession of the Government of India and the Secretary of State need not, therefore, have any misgivings as to the annual payments in that period and after that period, the amount will have to be paid directly by us but considering the fact that the amount is comparatively small, there is no reason to fear that we shall fail in paying it. If it is necessary, we may even agree to the amount being retained out of the surplus revenues of the Civil & Military Station. Altogether, it will be seen that the fears expressed by the Secretary of State are unfounded and when this position is explained, I think he will agree to release the whole of the Sinking Fund and replace it at our disposal.

10. We have the Government of India on our side in the proposal for releasing the whole Fund and

NOTE—Contn. sheet.

10 making

Serial No.

making it available for our capital purposes. As I have explained above, the Secretary of State's disinclination to accept it is not on account of its being unreasonable but of his misgivings which can be completely removed. We can convey an unqualified assurance that there will be no failure on our part in paying a sum of Rs.3,60,000 annually towards the reconstitution of the Sinking Fund. On the strength of this guarantee, he may approve of the proposal of the Government of India and give us the benefit of the whole of the Sinking Fund which we badly want.

11. The conditions of the arrangement suggested by the Government of India amount to our getting a sum of about Rs.90 lakhs subject to an annual payment of Rs.3,60,000, that is, borrowing at 4 per cent. The arrangement is, in every way, the best that we can possibly make for our capital finance and I think we should, therefore, press for its being accepted by the Secretary of State. Another advantage of this arrangement is that we shall not only get the capital sum of Rs.90 lakhs but, on the assumption that we shall earn on this amount invested in the form of productive works, at least a sum of Rs.5 lakhs which the Fund is now yielding, we shall also get Rs.1½ lakhs, representing the difference between Rs.5 lakhs earned on the investment and about

heet.

Rs.

Serial No.

Rs3½ lakhs to be paid towards the new Sinking Fund. This sum of Rs1½ lakhs ought properly to be utilised towards Capital outlay and if it is so used, it will be a permanent annual addition to our capital resources.

12. I do not know if matters like this go before the Secretary of State or if they are settled by the Finance Member of his Council. If they do go before him, we have the advantage of the recent change of Government in Great Britain and we may expect that the matter will receive sympathetic consideration by the Secretary of State of the Labour Party now in Office.

DEWAN.)

13

NOTE—Contn. sheet.

16

Q.F. 162-23 C 337.

Extract from the Proceedings of the 687th *Meeting of the Council of His Highness the Maharaja, held at Bangalore on the* 14th February *19* 24.

Subject- (Clause xii of the Schedule)

Utilisation of the Mysore Railway Loan Sinking Fund.

...

OPINION OF THE COUNCIL.

The draft letter to the Resident may be approved.

(Sd.) A.R. Banerji,
Dewan of Mysore.

"EXTRACT"

Chief Secretary to Government.

WD 1471—GPB—2,000—1-8-21

G. R. S. III-21

General and Revenue Secretariat.

G 7 File No. 162 of 1923

Serial No.

Fair draft put up

19) D.S.N and fair draft put up

M.N.K

D.S.N amplified according to 14.2.24

the proposed Council discussion.

Council discussed

ARSD.

15/2/24.

14

Mr. ...

Set.

G J 162 - 23

(13)

Submitted to His Highness.

I reported in my Submission Note dated 21st August 1923 that the Residency had been addressed to request the Government of India to make the conditions of release of the Sterling Railway Loan Sinking Fund less onerous than those communicated in the Residency letter dated 20th June 1923, and the proposal was based upon my personal discussions with Sir Basil Blackett at Simla.

2. In the Residency letter dated 9th February 1924 just received, the orders of the Secretary of State on our proposal have now been communicated. The Secretary of State has approved of the principle of the proposal to allow us relief at the expense of the Sinking Fund, but has suggested two alternatives with a view to keep the whole or a part of the present Sinking Fund intact.

3. We stand committed to capital works of the Railway, Electrical and Irrigation (Krishnarajasagara) Departments and the demands on account of these works in the next few years will be not less than 40 lakhs per annum. As the result of all our efforts we have barely balanced the Budget and we have no revenue surpluses to finance our annual capital programmes, nor have we any surplus holding of securities to dispose of, for meeting this demand. In such circumstances, the only alternative left is to borrow, and borrowing has to be avoided as long as possible, in view of the expensive terms which we shall have to offer to make the issues successful.

4. In the above circumstances, it is necessary to utilize the whole of the Sinking Fund for financing our capital works and neither of the two alternatives suggested by the Secretary of State serves the object we

have

have in view. I have carefully considered the matter and find that in the position in which we are placed, it is necessary to request that the whole Fund may be placed at our disposal. The Government of India have agreed to release the whole Sinking Fund and make it over to us, and they are therefore on our side. From the Residency communication now under consideration, it does not appear that the Secretary of State has ruled out this proposal altogether and the alternative proposals that he has made are only in view of some misgivings which he has in regard to the re-constitution of the new Fund and the annual contribution. There is no reason for the apprehensions entertained by the Secretary of State, and when the facts are placed before him, I am in hopes that he will approve of the recommendation of the Government of India. I therefore propose to address Mr. Barton accordingly, and submit the draft of the letter to him, which has been approved by the Council, for the gracious approval of His Highness.

25. I may add that the several advantages under the three proposals were carefully weighed during the Council discussions. The payment of 5 lakhs per annum will not help us, as we must borrow 40 lakhs a year, and this will add to our burdens under Sinking Fund and Interest Charges and this will come to more than 5 lakhs at the end of this period. Further, the interest to be paid by Government goes out of our pockets entirely, never to come back. The payment of 11 lakhs annually for 5 years can only reduce our liability under Part III of our Account (please see my Budget Speech of June 1922), and may tempt us to use up the net surplus in recurring expenditure. Besides, this will not avoid the necessity of further borrowing and its consequential embarrassments, so ~~that~~ the third alternative is the most advantageous. We pay a sum, not to others but to ourselves, in fact, and the money remains

as

F 2162-23
(3)

as ours. We save further borrowing and will be free from the worries, anxieties and commitments of additiona public debts, and we can draw gradually according to requirements, although we must take care to see that the expenditure is really incurred on works which will yield a return of not less than 4 per cent.

Bangalore,
15th February 1924.

15 FEB 1924

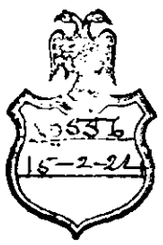
SGN.

CONFIDENTIAL.

Record of Cases submitted for the Orders of His Highness the Maharaja

Subject.

Draft letter to the Residency requesting that the Secretary of State be moved to approve of the recommendation of the Government of India to make over the whole of the Sterling Railway Loan Sinking Fund to the Mysore Government.



Order.

16/2/24

17 FEB 1924

General and Revenue Secretariat.

& 7162-23 15 17

C337

Re Utilisation of the Mysore Railway Loan Sinking Fund.

(*)

31. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circulated to the Members of Council at headquarters and then sent to the Secretariat concerned for the issue of orders.

Circulated to the Members of Council for perusal of

His Highness' orders $\frac{\text{before}}{\text{after}}$* issue of orders. (*Vide* Rules 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure)

1912

Chief Secretary to Govt.

Through the Secretary to Government.

.....Department.

30

6528/1912

FIRST MEMBER OF COUNCIL. 19/2

31

SECOND MEMBER OF COUNCIL. 21/2

THIRD MEMBER OF COUNCIL.

32 Miscellaneous Accts

21/2

NOTE—Contn. sheet.

Mono WD 1190—GPB—500 9-1-23.

G. R. S. III-2]

General and Revenue Secretariat. | File No. 162 of 1923.

Serial No.

P.U.D. X

33 The Residency letter dated 27th June 1924 now received and the previous letter dated 9th February 1924 make it clear that the Secretary of State is not willing to allow the corpus of the existing Sinking Fund to be touched. The Government of India held exactly the opposite view. They were in favour of allowing us to take back the whole of the existing Fund on condition that we were willing to form a new fund by contributing annually two per cent of the face value of the Loan. From the present Residency letter it is clear that the Government of India supported our request for the restoration to us of the whole of the Sinking Fund; but the Secretary of State is unwilling to comply with it as he does not want the Fund so far built up to be taken out of his control. Again, the "contingent liability" of the Secretary of State is advanced in justification of the view held by him. There is, however, no use in pursuing the matter further, as it is evident from the Residency letter that the Secretary of State has decided to limit our choice to either of the two alternatives given in the previous Residency communication dated 9th February 1924.

P.U.D

X

34 The question now to be considered is which of these two alternatives is more advantageous to us. The first is for payment to us of Rs11 lakhs each

—Contn. sheet.

year

Serial No.

year for a period of 5 years and when we made this proposal, we had agreed to refund the amount "as soon as our financial condition permitted of such restoration". The payment of Rs.11 lakhs necessitates drawing upon the corpus of the Fund to the extent of about Rs.6 lakhs, as the annual interest income from the Fund is only about Rs.5 lakhs. This alternative is evidently not acceptable to the Secretary of State but he is willing to comply with our request because this was one of the alternatives put forward by us. The alternative more to his liking is the second one and this is clear from the fact that in the letter now received it is stated that we shall receive more benefit by adopting ~~this alternative~~ the Secy of State recommends it as

Our aim was to get a large amount to meet our capital demands in the near future. This object cannot be fulfilled as the view held by the Secretary of State is unfavourable and decisive. What should now determine our choice is which of the alternatives affords us the maximum advantage, though not in a short period. In this view there can be no doubt that the second is by far the better This alternative is thus stated in the Residency letter dated 9th February 1924:

> "The Secretary of State is prepared to allow the Mysore Government to appropriate the interest on the existing Sinking Fund till such time as this assistance can be dispensed with. This form of relief might be allowed for say15 to 20 years in the first instance, the existing corpus of the Fund remaining intact".

Contra sheet.

G. R. S. III-21

General and Revenue Secretariat. | File No. 162 of 19 25

Serial No.

It is clear from this statement that the annual aid to the extent of the interest income of the Fund can be continued indefinitely. The Secretary of State himself is prepared to offer it for a period of 15 to 20 years in the first instance. A resource of about Rs.5 lakhs per annum for an indefinite period of time is certainly a very valuable help in financing our capital programmes from year to year. It is ~~true~~ that the aid afforded each year is not much compared with the annual demands we have ~~now~~ to meet ~~on this account~~ but the continuity and certainty of the resource ~~itself~~ for an indefinite period of time are features the value of which cannot be over-estimated. There can, therefore, be no ~~hesitation~~ hesitation in accepting the second alternative which is also recommended by the Secretary of State himself as it leaves the corpus of the Fund untouched. The election of the first alternative offers no superior advantage in any respect. It will give us Rs.11 lakhs a year for a period of 5 years and of this annual help, Rs.5 lakhs is common to this as well as to the second alternative. The only advantage ~~within the period of 5 years~~ which the first alternative gives over the second is represented by the difference of Rs.6 lakhs and ~~that~~ it is limited for the period of 5 years. But this sum of Rs.6 lakhs will be taken out of the

sheet.

corpus

Serial No.

corpus of the Fund and perhaps the Secretary of State will insist upon its refund after the period of 5 years is over. In fact, we had ~~to~~ agreed to refund this amount when we had put forward this alternative ourselves. For this reason also, the first alternative is not acceptable.

26 I have accordingly put up a draft electing the second alternative.

27 A D.S.N. is also put up.

m n k.
Nuth
29-6-24.

D E W A N.)

28 Agree.
Please circulate to
Hare circulate to
members of Coun.* for concurrence.
Hemlis of Govt. for necessary
in contribution we would have
The Govt. we would have
to bear in case Corpus
today incase Corpus
was handed over
has also to be borne in mind.
has also to be borne in mind
5 lacs net we shall get
5 lacs net we shall get
from it
from net

Y N.R.B
30.6.

29 Forwarded to the Chief Secy with compliments
Complts.
m n k
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30.6.24

C

V

10788
30/6/24.

K.M
30/6
30/6

(Members and members) (Dept. Nuth m.H.H. 30.6.

D.S.N. 1690 (Secy) 12 (Secy) 30/6 (Dewan) 2/7/24

NOTE—Contn. sheet.

G 7162 - 23 20

Submitted to His Highness. 27

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(67) With the sanction of His Highness, the Residency was addressed in my D.O. No. R. 60 dated 17th February 1924 to make a further representation to the Secretary of State to make over to us the whole of the Mysore Sterling Railway Debenture Loan Sinking Fund, so far - built up. In the reply to this communication which has now been received in Mr. Cater's letter No. C. 3287/573 dated 27th June 1924, it is stated that the Secretary of State is unwilling to give us the existing Fund but is prepared to allow us to utilise the annual interest on it for an indefinite period. We wanted to get control over the whole fund with a view to use it for the heavy demands to be met in the next few years on account of capital works. This is now not possible in view of the reluctance of the Secretary of State to part with the Fund in his custody. At the same time, the alternative offered by him has its own advantages as the benefit of it can be had as long as there is need for it. In view of this consideration, I think we may elect the second alternative. It will give us a sum of Rs. 5 lakhs every year for as long a period as we like. The certainty of an annual resource of Rs. 5 lakhs for our capital works is a factor of great value in our annual finances. I request, in these circumstances, the gracious sanction of His Highness to accept this alternative and to issue the draft put up.

Bangalore,)
3rd July 1924.)

3 JUL 1924

CSR.

30

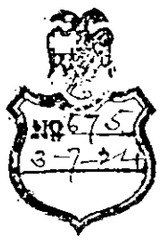
Confidential

G 7162-28

Record of Cases submitted for the Orders of His Highness the Maharaja

Subject.

Letter from the Residency regarding the utilisation of the Sterling Railway Loan Sinking - Fund and draft reply thereto.



Order.

KRW
5/7/24

49 Hsq GRB.
6 JUL 1924

Kri
7/7/24

31

G 7162-23

C 337 29

General and Revenue Secretariat.

Letter from the Residency regarding the utilisation of the Sterlin Railway Loan Sinking Fund.

(*)

31. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circulated to the Members of Council at headquarters and then sent to the Secretariat concerned for the issue of orders.

Circulated to the Members of Council for perusal of

His Highness' orders $\frac{\text{before}}{\text{after}}$ issue of orders. (*Vide* Rules 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure.)

50 *Chief Secretary to Govt.*

Through the Secretary to Government.

.....Department.

191
7.7.24

51 FIRST MEMBER OF COUNCIL.

52 SECOND MEMBER OF COUNCIL.

THIRD MEMBER OF COUNCIL.

53 Financial Secr, with Compts.

NOTE—Contn. sheet.

Mono WD 1190—GPB—500 9-1-3.

Do issued & file retd

5-7-24

54 The draft has to be issued from the Dewan's Office. Dewan to mr Cake

D.O.M.C.No. 179 Su 11 193 25

G 7162-23 BALLABROOIE,
HIGH GROUND,
BANGALORE.

19th. August, 1924

Dear Mr. Krishna Rao.,

Please see the enclose copy of a letter from the Residency onthe subject of the Sterling Debenture Stock Sinking Fund, and let me know whether any further action is necessary.

Yours Sincerely,

Rajakaryaprasakta,

M.N. Krishna Rao, Esq., B.A.

Financial Secretary to
Government

N.W.

24
28

G. R. S. III-2]

General and Revenue Secretariat.

77 File No. 62 of 19 25

Serial No.

[illegible]

D.O. No. C.3360/STS Dt. 26.8.24. from Mr. A. N. L. Leslie, to the Dewan of Mysore.

Submitted to His Highness.

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55 In reply to our further representation to the Government of India to make over to us the whole of the Mysore Sterling Debenture Loan Sinking Fund so far built up, the Residency stated that the Secretary of State was unwilling to part with the existing fund, but was prepared to allow us to utilise the annual interest thereon practically for an indefinite period. With the approval of His Highness, the Residency was, in my letter No. R.1 dated 9th July 1924, requested to move the Government of India to make over the whole of the annual interest commencing from the current year. The reply received from the Secretary to the Resident dated 18th August in this matter is submitted for kind perusal. The decision indicated in this letter involves a very important departure from the offer made by the Secretary of State and accepted by us. I refer to the attempt at whittling down the benefit of the arrangement by limiting its period to 15 years instead of to 20 years. Mr. Cater's letter states that "all interest realised in future up to 31st March 1939" will be made over to us. It is necessary to have this mistake corrected and I have accordingly informed Mr. Cater in my letter of this date, that the payment should be for a period of 20 years in the first instance according to the arrangement approved by the Secretary of State and communicated to us in the Residency letter of the 9th February 1924.

56 A copy of my letter to Mr. Cater is submitted herewith for His Highness' kind perusal.

Bangalore,
20th August 1924.

57 [illegible] 38

CSR.

Confidential.

F 7162-23

Record of Cases submitted for the Orders of His Highness the Maharaja

Subject.

Correspondence with the Residency on the subject of the payment of the interest on the Sterling Railway Loan Sinking Fund.

132

Order.

22/8/24

A.R.B.

23 AUG 1924

23/8/24

39

General and Revenue Secretariat. | File No. 182 of 1920

PUT.

Serial No.

61 Subject: Mr Caters letter re the period during which extension of sweeping fund should be given to us.

62 I have put up a draft and the previous papers. I have proposed to address Mr Watson himself & not Mr Cater.

63 What exactly is the doubt or difficulty felt by the Residency I can not make out and it seems that to my mind, the Secy of State's order can not be understood in any way other than that in which we have taken it. If considered desirable and if there is occasion for it a personal talk with Mr. Watson may set matters right.

27.8.24

Director)

64 (A copy of demi-official letter No R.4 issued to Mr Watson today is put up in the file.)

28/8/24

42

27
(29)
28)

G. R. S. III-2]

General and Revenue Secretariat. | File No. 182 of 19 25

Serial No.

P.U.D.

1 Subject: Mr Caters letter re the period during wh. enlistment Sanctions fund should be given to us.

2 I have put up a draft and the previous papers.

I have proposed to address Mr Watson himself & not Mr Cater.

3 What exactly is the doubt or difficulty felt by the Residency I can not make out and to my mind, I seem that the Secy of State's order can not be understood in any way other than that in which we have taken it. If considered desirable and if there is occasion for it a personal talk with Mr. Watson may set matters right.

27.8.24

Deputy

4 (A copy of demi-official letter No. issued to Mr Watson today is put up in file.)

28/8/24

42

Contn. sheet.

923/R. 10-9-24

G. R. S. III-2,

General and Revenue Secretariat. | File No. 76 of 19 24

Serial No.

From the Comptroller
Letter No 359 BKs dated 5th Sept 1924
forwarding copy of letter No 952 D. 26 8/24 from the Controller of Currency and his reply thereto

On the letter of the Controller of Currency it is stated that the Govt of India have decided that the interest accruing on the assets of the Mysore Ry Deb: loan Sinking Fund in India and in England should for the time being be made over to the Mysore Govt and the question raised as to the method in which the interest earned in India and England should be paid to the Govt of Mysore. No formal communication has yet been received from the Govt of India. The Comptroller has agreed to the payment of interest on the sterling portion to the credit of Messrs Coutts & Co and as regards interest on the rupee securities he has agreed to the issue of Trust Interest Payment orders on the Hon'ble the Resident's Treasury.

The file sent from the pers' staff is missing

For information

Sub Asst 8.9.24

9.9.24

For the Controller of the Currency

G. R. S.-III-2,

General and Revenue Secretariat.

D. 923 · 9 (Fdtl)

File No. 62 of 1923

Serial No.

has recd orders from the Govt to pay us the interest on the Sinking Fund according to the arrangement made and he has enquired of the Complr as to how payments shd be made. The reply given by the Complr is allright. He may be required to clarify the amt receipt as a capital receipt to be devoted to Capital purposes.

Sanctioned by the Secy of State

Dewan 10.9.24

69) Repd 11.9

70) Please inform Complr accordingly

21/9/24

71) Draft as per orders above is put up for approval

Subs 22.9.24

DEWAN'S OFFICE,
RECD. ON 11. SEP. 1924
Reg. No. 2126

Then papers have now the proposal. Please make such [illegible] Complr the advance which should be adjusted up to date

NOTE—Contn. sheet.

CONFIDENTIAL

D.O. No. C/3138/573.

THE RESIDENCY,
BANGALORE.

9th February 1924.

Subject:- Railway Debenture Loan Sinking Fund of Mysore.

Dear Mr Banerji

Please refer to your demi-official letter No. 529, dated the 16th August 1923, on the above subject.

2. The Government of India consider that from your letter referred to above it is apparent that the Mysore Government have not correctly interpreted the conditions imposed on them as set forth in my confidential and demi-official letter No. C/2626/573, dated the 20th June 1923. The Government of India, however, accepted their alternative proposal of fixing an annual payment based on a percentage of the face value of the original loan of £1,200,000 towards the reconstitution of the Fund and accordingly recommended for the Secretary of State's approval that the existing Sinking fund be released for purposes of capital expenditure by the Mysore Government (estimated by them at 1,65 lakhs during the next two years) subject to the condition that that Government make an annual payment of two (instead of one as suggested by the Mysore Government) per cent of the total debenture loan of £1,200,000 towards the reconstitution of the fund.

3. In reply the Secretary of State agreed that the Mysore Government might fairly be allowed some relief at the expense of the Sinking Fund, but expressed a desire that it should take a form which would not involve the entire dispersal of the fund for the time being, leaving its reconstitution dependent on future annual payments by the Mysore Government, which might not be forthcoming if they should continue to find themselves hard pressed financially. From this point of view, in the opinion of the Secretary of State, the Mysore Government's previous proposal to

draw on the fund to the extent of 11 lakhs annually for a period of five years seems to offer advantages which are absent in the proposals of the Government of India. Alternatively the Secretary of State is prepared to allow the Mysore Government to appropriate the interest on the existing Sinking fund till such time as this assistance can be dispensed with. This form of relief might be allowed for say 15 to 20 years in the first instance, the existing corpus of the fund remaining intact.

4. The Government of India would be glad to be informed at an early date of the course which the Mysore Government elect to adopt out of the two alternatives approved by the Secretary of State.

5. I am also desired to inform you that the Government of India wish it to be clearly understood that on general principles the policy of trenching on constituted sinking funds is open to obvious objection, and that the conditions contemplated in this instance must be regarded as special, and that the Mysore Government must not expect any further indulgence of the kind.

To,
A.R. Banerji Esq., C.S.I., C.I.E., I.C.S.,
Dewan of Mysore,
Bangalore.

58

D. O. Letter No. C. 3257/-573 dated the 27th June 1924
from ... Cater Secretary to the Resident in Mysore, Bangalore
to the Dewan of Mysore.

DEWAN OF MYSORE

D.O.R.60.

32

BALLABROOIE,
HIGH GROUND,
BANGALORE.

17th February 1924.

My dear Mr. Parton,

I have received Mr. Cater's D.O. letter No. C. 3138/573 dated 9th February 1924 communicating the orders of the Right Hon'ble Secretary of State in regard to the utilisation of the Mysore Railway Debenture Loan Sinking Fund. Before dealing with the question, which of the alternatives Government of Mysore would prefer to elect, I take this opportunity to convey the best thanks of His Highness' Government to yourself for your support and to the Government of India and the Right Hon'ble the Secretary of State for the sympathetic consideration which they have bestowed upon this question.

The Government of Mysore have, as the result of various measures adopted by them, reduced their annual revenue finances to a condition of equilibrium and the problem which they are now trying to solve is the provision of funds for financing their capital works. As I have explained in my letter No. 529/C.B. dated 16th August 1923 our capital demands in the next few years are heavy and it is therefore found necessary, if recourse to public borrowing is to be avoided, to make use of the Sinking Fund according to necessity for this purpose. The proposal of taking annually a sum of Rs. 11 lakhs from the Sinking Fund for a period of five years, which I had previously made, was with the object of meeting a part of the demand on account of the Sinking Funds required for our recent Rupee Loans

The claims of new Sinking Funds can now be met, I am glad to be able to state, from our other resources, and the demand now to be provided for is on account of reproductive capital works. In view of the amounts required for these works in the next few years, the arrangement of drawing a sum of Rs. 11 lakhs annually from the old Sinking Fund would not fully serve the object in view and additional borrowing will become necessary. The second alternative of drawing upon the Sinking Fund to the extent of only its annual interest yield w would, for the same reason, afford much less help in financing our capital works.

In the circumstances explained above, the Government of Mysore would feel grateful if the arrangement of releasing the whole Sinking Fund for the purpose of reproductive capital expenditure, approved by the Government of India and communicated in your letter No. C. 2625/373 dated 20th June 1923 is very kindly sanctioned by the Right Hon'ble the Secretary of State. The Mysore Government agree, as already stated in my letter No. 529 dated 16th August 1923, to contribute annually to the reconstitution of the Sinking Fund and they also accept, as now decided by the Government of India, that the annual contribution should be 2 per cent of the total Debenture Loan of £ 1,200,000.

It is stated in Mr. Cater's letter under reply that the objection to the adoption of this arrangement is that it would "in-

"involve the entire dispersal of the fund for the time being leaving its reconstitution dependent on future annual payments by the Mysore Government, which might not be forthcoming if they should continue to find themselves hard pressed financially." As the proposal is to utilise the Sinking Fund for only productive capital works, the consequence of such utilisation is that the Fund, instead of being in the form of Securities be converted into another form yielding asset in the shape of productive works and there is therefore no "dispersal of the Fund" in fact. As regards the apprehension that the reconstitution of the Fund would depend upon future payments to be made by the Mysore Government which may not be forthcoming, I should like to make the position clear. The demand to be met annually is only Rs. 3,00,000 and it is a small amount, compared with the annual revenues and resources of the Mysore Government. Whatever the adverse financial conditions at any time in the future may be, it is not conceivable that any difficulty would be experienced in paying this small amount in any year. I am prepared to convey the unqualified assurance of the Mysore Government that this annual payment will be strictly guaranteed in any manner the Secretary of State may be pleased to suggest, from the revenues of the State.

It will be seen from what is stated above, that the real need of the Mysore Government for the next few years is capital finance, and fortunately they have, in the Sinking Fund in ques-

question, the means of meeting a large part of this need and they therefore need not necessarily raise public loans to meet this demand. The propriety of utilising the Fund for productive works has been already discussed at very great length and it is therefore not necessary for me now to repeat the representation on that point. Suffice it to say that at present there is no other means of finding money for our capital demands. I have explained above that the proposal made in my letter No. 529 dated 16th August 1923, which was formulated after our Simla discussions is the only suitable one which will meet the pressing requirements of our capital programme. As regards the reconstitution of the new Sinking Fund, the Mysore Government are prepared to give the necessary guarantee in respect of the annual payments required on the basis of the proposal made by the Government of India.

His Highness' Government feel assured that if all these facts are placed before the Right Hon'ble the Secretary of State, he will be pleased to approve of the recommendations of the Government of India as contained in para 2 of Mr. Slater's letter under reply. I shall feel much obliged if this representation is now submitted to the Secretary of State with the support of yourself and of the Government of India.

Yours sincerely,

The Hon'ble
Mr. W.P. Barton, C.S.I., C.I.E., I.C.S.,
Resident in Mysore, Bangalore.

Confidential.

D.O.No.C.3267/573.

THE RESIDENCY,
BANGALORE.
The 27th June, 1924.

Subject:- Utilization of the Railway Debenture Loan Sinking Fund by the Mysore Government.

Dear Mr. Banerji,

Please refer to your confidential demi-official letter No.R.60 dated the 17th February 1924 on the above subject.

2. Your representation was forwarded to the Secretary of State by the Government of India with the request that he would be pleased to reconsider the decision arrived at by his predecessor. The Secretary of State while agreeing that it is reasonable to allow the Government of Mysore some assistance in meeting charges of new loans for capital works, especially during the period before the wor in question become remunerative, is, however, of opinion that the Mysore Government will get greater relief on the revenue side by temporarily hypothecating the interest on the Sinking Fund, as suggested in the second alternative in paragraph 3 of my demi-official letter No.C.3138/573 of the 9th February 1924, than is offered by the proposal to utilise the whole Sinking Fund for the purpose of reproductive capital expenditure. The view held by the Secretary of State is that the appropriation of the whole of the Sinking Fund held against his contingent liability could only be justified if there were no prospect of the Government of Mysore being able to raise funds in the market on reasonable terms, and he has accordingly decided

that, if the Government of Mysore do not see their way to accept either of the alternatives previously offered in my letter referred to above, the only expedient left to them will be to raise the money by borrowing.

3. I am to request that the Resident may be informed at an early date of the course which the Mysore Government elect to adopt.

A.R.Banerji Esq., C.S.I., C.I.E.,
Dewan of Mysore.

D.O. No. R.
9.7.24.

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Draft.

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Dear Mr. Cater,

I have received your confidential D.O. No.C.3257/357 dated 27th June 1924 regarding the utilisation of the Railway Debenture Loan Sinking Fund. As the Secretary of State has decided that the existing Sinking Fund should be left intact, the Government of Mysore prefer to elect the second alternative which is thus stated in para 3 of your confidential D.O. No. C.3138/573 dated 9th February 1924:-

> "The Secretary of State is prepared to allow the Mysore Government to appropriate the interest on the existing Sinking Fund till such time as this assistance can be dispensed with. This form of relief might be allowed for say 15 to 20 years in the first instance, the existing corpus of the Fund remaining intact."

His Highness' Government will feel obliged if the Government of India are requested to issue orders for making over to them the whole of the annual interest on the existing Sinking Fund commencing from the current year.

Yours sincerely,

3-7

(Dewan.)

To

A. N. L. Cater, Esq., I.C.S.,
Secretary to the Honourable
the British Resident in Mysore,
BANGALORE.

29/6-24

34

Copy of letter D.O.No.3348/573, dated the 18th. August, 1924 from N.L. Cater, Esq to the Dewan.

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"I am desired to refer to your demi-official letter No.R.1 of the 9th. July 1924, and, at the instance of the Government of India, st state that, as it is likely that the interest of the Fund, already realized, may have been invested wholly or in part, it may not be possible to make over to the Darbar the whole of the interest for the current year. The Secretary of State has, however, been informed of the Darbar's decision and asked to make over to them all interest realized but not invested up to date and all interest realized in future up to the 31st. March 1939 inclusive.

The exact method to be adopted in disbursing realization in England will be settled by the Controller of Currency, Calcutta, in consultation with the Comptroller, Mysore."

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35

BALLABROOIE,
HIGH GROUND,
BANGALORE.

20th August 1924.

Dear Mr. Cater,

I have received your D.O. No. 3348-573 dated 18th August 1924 regarding the payment of the annual interest on the Sinking Fund of the Mysore Sterling Railway Loan. You state that the Secretary of State has been requested to make over to the Mysore Government "all interest realised in future up to 31st March 1939, inclusive". I would, in this connection, invite reference to the arrangement approved by the Secretary of State and communicated in your D.O. No. C. 3138-573 dated 9th February 1924. The Secretary of State has agreed to allow the Government of Mysore to appropriate the interest on the existing Sinking Fund for "twenty years in the first instance" and I do not, therefore, understand why it is now proposed to inform that authority that the appropriation should be - only up to 31st March 1939, i.e., for a period of 15 years. I would request that the arrangement approved by the Secretary of State and accepted by the Government of Mysore may be fully given effect to by substituting 1944 for 1939.

If any part of the interest realised in the current year

35 42-43

year has already been invested, the new arrangement cannot, of course, be applied to it as stated by you and the balance, if any, remaining uninvested and the interest hereafter realised may be arranged to be made over to the Mysore Government. The exact method to be adopted for affording credit to Mysore may, as suggested by you, be settled by the Controller of the Currency in consultation with the Comptroller of Mysore.

Yours sincerely,

A.N.L. Cater, Esq., I.C.S.,
Secretary to the Hon'ble
the Resident in Mysore,
Bangalore.

JSR.

CONFIDENTIAL.

THE RESIDENCY,
BANGALORE.

D.O.No.C.3360/573.

The 26th August, 1924.

Subject:- Utilization of the interest on the Railway Debenture Loan Sinking Fund by the Mysore Government.

Dear Mr. Banerji,

I am desired to reply to your confidential demi-official letter No.R.3 dated the 20th August 1924, in which you state that the agreement agreed to by the Secretary of State was that the Mysore Government would be allowed to appropriate the interest on the sinking fund for "twenty years in the first instance", and you say that this fact was conveyed to you in my demi-official letter No.3138/573 of the 9th February 1924. If you will kindly refer to paragraph 3 of this letter it will be seen that you have made a slight misquotation, for it says that the period would be for "15 to 20 years in the first instance"; vide also your demi-official No.R.1 of the 9th July 1924, in which you quote from my letter of the 9th February. The date "31st March 1939" is therefore in accordance with the arrangement approved by the Secretary of State.

Yours sincerely,
L Carter (?)

A.R.Banerji Esq., C.S.I., C.I.E.,
Dewan of Mysore,
Bangalore.

41

45
·0 Letter NO ·R·4 dated 28 th Augt 1921 from
the Dewan of Mysore to the Resident in Mysore
Bangalore -

43

D.O.No.R.4

- 4

"Ballabrooie",
High Ground,
Bangalore, 28th August '24.

My dear Mr. Watson,

I request you to kindly refer to the correspondence ending with Mr. Cater's demi-official letter No.C.3360/573 dated the 26th August 1924. The order of the Secretary of State, communicated through Mr. Cater's demi-official letter No.C.3138/573 dated 9th February 1924 is as follows:-

> The Secretary of State is prepared to allow the Mysore Government to appropriate the interest on the existing Sinking Fund till such time as this assistance can be dispensed with. This form of relief might be allowed for, say, 15 to 20 years in the first instance.

I hope you will agree with me that this order cannot be construed as limiting the period during which the interest on the Fund can be utilised by the Mysore Government to only 15 years. It suggests a period of 15 to 20 years and the arrangement may be permitted to be continued thereafter, if necessary. What was stated by me in my letter, viz., 20 years in the first instance, is not, I venture to point out, a misquotation. I took the longer period suggested in the alternative, for, we do require the assistance at least for 20 years to begin with. It cannot be said that the Secretary of State has approved of the period of 15 years only and vetoed it for 20 years and that, therefore, the date should, in accordance with that decision, be 31st March 1939. I would therefore request you very kindly to support the request to grant this assistance for 20 years in the first instance - a period which is clearly stated in the alternative, in the decision of the Secretary of State, and as such, is permissible, if we wish to

avail ourselves of it.

Yours sincerely,

Sd/- A.R.Banerji.

The Hon'ble
Mr. C.C. Watson, C.I.E., I.C.S.,
Resident in Mysore,
Bangalore.

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G.7.162-23-6 D. 923

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

In reply please refer to No. 359 Books

Comptroller's Office, Bangalore,

Dated the 5th September 1924.

Rajakaryaprasaktha

N. Krishna Rao Esq.; B.A.,
Secretary to the Government of Mysore,
Financial Department, Bangalore.

Sir,

I have the honour to forward herewith for information, copies of letter No.Sec.952, dated 26th August 1924, from the Controller of the Currency, Calcutta, enquiring as to the method in which interest accruing on the Mysore Railway Debenture Loan Sinking Funds, in India and in England may be paid to Government and of my reply thereto.

I have the honor to be,
Sir,
Your most obedient servant,

Comptroller

G 7112-21

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C. O. 46—R

WD 0103—GPB—10,000—29—8-21

Please address all future communications to the Comptroller to the Govt. of H. H. the Maharaja of Mysore.
In reply to this Comn. please refer to
No. Books 360.

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

Dated, Bangalore, the 5th September 24

FROM

T. SATYARAJ CHETTY ESQ., B. A.,
Comptroller to the Government of
His Highness the Maharaja of Mysore.

To

The Controller of the Currency,
Calcutta.

SIR,

With reference to your letter No.Sec.952 dated 26th August 24, enquiring as to the method in which the payment of interest accruing on the assets of the Mysore Railway Debenture Loan Sinking Fund may be made, I have the honour to state that the interest as it falls due on each kind of the several securities held on account of the Fund may be paid as under-

1. Interest on Sterling securities -

May be paid to the credit of the Mysore Government Royalty accour with Messrs.Coutts & Co. London

2. Interest on Rupee Securities -

Trust interest payment orders on the Hon'ble the Resident's Treasury, Bangalore may be issued.

I have the honor to be,
Sir,
Your most obedient servant,

Sd. T.Satyaraj Chetty,
Comptroller.

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"Copy"
Superintendent,
Record Section,
Comptroller's Office.

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Q 4 57

Letter No.Sec.952 dated 26th August 1924 from the Controller of the Currency, Calcutta, to the Comptroller to the Government of Mysore, Bangalore.

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With reference to the recent decision of the Government of India that the interest accruing on the assets of the Mysore Railway Debenture Loan Sinking Fund in India and in England should for the time being be made over to the Durbar, I have the honour to enquire as to the method in which payment of this interest is desired. As regards the interest accruing on the rupee portion of the Fund, I am prepared to issue Trust Interest payment orders either on the Resident's Treasury at Bangalore, or on the Imperial Bank of India, Bombay, as the Durbar may desire. As regards the interest on the sterling portion of the Fund, the Durbar will presumably want payment to be made through their Bankers in England, Messrs. Coutts & Co. If however they desire payment to be made in rupees in India, I shall be prepared to meet their wishes. Details regarding the rate of exchange will be considered if the Durbar signify their preference for this alternative.

I should be obliged if an early reply could be sent.

" Copy "

Superintendent, Comptroller's Office,
Records Section.

CV

96.

Letter No Fe 1809 dated 25-9-24 from the Financial Secretary to Govt to the Comptroller in Mysore, Bangalore.

51

G. R. S. VI-G-32] B50—WD 0527

SUBJECT .....

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Diary No. of letter replied to .....

Section 47

File No. 162-23

Serial No. 8 (2)

General and Revenue Secretariat

( ) No. H 1809

, the *192* .

Date of issue 25.9.24

To

The comptroller

.....

Signed by Jn M. A. Bangachar

Sir,

With refce to your letter no 359 BKs dated 5th Sept^r 1924 forwarding for information copies of letter No Sec 952 dated 26th Aug^t 1924 from the Controller of the Currency Calcutta enquiring as to the method in which interest accruing on the Mysore Railway Debenture Loan Sinking Funds both in India & England, may be paid, and of your reply thereto I am directed to state that your reply is all right & suitable and to request you to be so good as to classify the interest receipts as a capital receipt to be devoted to Capital purposes

I am

over

Thanking you

Yours faithfully

G 7162-23 1487 574

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Copy of D.O. No. 8151 dated the 15th October 1924 from the Residency, to the Dewan of Mysore.

8

Utilisation of the interest on the Mysore Sterling Debenture Stock Sinking Fund for capital expenditure by the Mysore Government.

I am desired to refer to your demi-official letter No. R.4 of the 28th August 1924, and to say that the Government of India would prefer to postpone consideration of the request of the Mysore Government that the period of fifteen years for which they have been allowed to appropriate the interest on the existing sinking fund shd be extended to 20 years. - It is not possible to say what the position will be 15 years hence, but if some time before the expiry of that period the MysoreGovernment find themselves in no better position financially, the question of extending the period will be considered on a representation being made by them.

Copy of the above is forwarded with compliments to the Financial Secretary to Government for information.

Mysore,
22nd October 1924.

22/10

May be placed in the file
22/10/24

Previous references—

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

PROCEEDINGS OF THE GENERAL AND REVENUE DEPARTMENTS.

"A" Collection. Serial Nos.

RAILWAY STERLING LOAN SINKING FUND.

PAPERS RELATING TO THE PROPOSAL TO UTILISE THE MYSORE RAILWAY STERLING LOAN SINKING FUND FOR CAPITAL PURPOSES.

Vol. II.

D. O. No. C. 3138-573, dated 9th February 1924, from Mr. Cater, Secretary to the Resident in Mysore, Bangalore, to the Dewan of Mysore.

Subject:—Railway Debenture Loan Sinking Fund of Mysore.

Please refer to your demi-official letter No. 529, dated the 16th August 1923, on the above subject.

2. The Government of India consider that from your letter referred to above it is apparent that the Mysore Government have not correctly interpreted the conditions imposed on them as set forth in my confidential and demi-official letter No. C. 2626—573, dated the 20th June 1923. The Government of India, however, accepted their alternative proposal of fixing an annual payment based on a percentage of the face value of the original loan of £1,200,000 towards the reconstitution of the Fund and accordingly recommended for the Secretary of the State's approval that the existing Sinking Fund be released for purposes of capital expenditure by the Mysore Government (estimated by them at 1,65 lakhs during the next two years) subject to the condition that Government make an annual payment of two (instead of one as suggested by the Mysore Government) per cent of the total debenture loan of £ 1,200,000 towards the reconstitution of the fund.

3. In reply, the Secretary of State agreed that the Mysore Government might fairly be allowed some relief at the expense of the Sinking Fund, but expressed a desire that it should take a form which would not involve the entire dispersal of the fund for the time being, leaving its reconstitution dependent on future annual payments by the Mysore Government, which might not be forthcoming if they should continue to find themselves hard pressed financially. From this point of view, in the opinion of the Secretary of State, the Mysore Government's previous proposal to draw on the fund to the extent of 11 lakhs annually for a period of five years seems to offer advantages which are absent in the proposals of the Government of India. Alternatively, the Secretary of State is prepared to allow the Mysore Government to appropriate the interest on the existing Sinking Fund till such time as this assistance can be dispensed with. This form of relief might be allowed for, say, 15 to 20 years in the first instance, the existing corpus of the fund remaining intact.

4. The Government of India would be glad to be informed at an early date of the course which the Mysore Government elect to adopt out of the two alternatives approved by the Secretary of State.

5. I am also desired to inform you that the Government of India wish it to be clearly understood that on general principles, the policy of trenching on constituted Sinking Funds is open to obvious objection, and that the conditions contemplated in this instance must be regarded as special, and that the Mysore Government must not expect any further indulgence of the kind.

Financial Secretary's note on the above.

In deciding which alternative we should elect, it is necessary to bear in mind the object for which we want this Fund. We have adopted several measures to reduce our annual Revenue finances to a condition of equilibrium and we even managed to balance the budget of the current year. If the position in this year is threatened with dislocation, it is but a passing phase and, granting normal seasonal conditions, we may confidently count upon balanced budgets, providing for the full demand on account of Loan Sinking Funds from current revenues.

2. In the position in which we are now placed, we do not stand in need of any extraneous aid for meeting the claims of Sinking Funds. What we want is money for our capital works. There is no near prospect of our having Revenue surpluses which can be utilised for financing capital works. As I have explained in the recent Financial Review, we have no surplus balance of securities to draw upon for capital needs. The only alternative left for finding capital finance is to borrow and borrowing for some years to come will be expensive and it has, therefore, to be avoided as long as possible.

3. This Sinking Fund is, in the above circumstances, required for providing money for our capital works in the next few years. The demand on account of these works during the next two or three years will be heavy, as we have got commitments on account of incomplete works, like the Krishnarajasagara Dam and Weir Works, the Sixth Installation Works, the Bangalore Transmission Line Renewal, and, the Permanent Way and

Rolling Stock Renewal works of the Railway Department. These are imperative demands and if the whole of the Sinking Fund is not utilised for this purpose, the balance to be found otherwise will be correspondingly increased, necessitating expensive borrowing in one form or another.

4. I put up a statement showing the nature of the securities held at the credit of the Sinking Fund, their face value, their market value and their annual yield. The present cash value of the securities is about Rs. 90 lakhs and this, is by no means, too large an amount for our capital needs in the next few years. We have, therefore, to make every effort to get the whole of the Sinking Fund made available for this purpose.

5. The first alternative proposed by the Secretary of State is our previous proposal "to draw on the Fund to the extent of Rs. 11 lakhs annually for a period of five years". This proposal was made in our letter No. 10, dated 12th July 1922. The object of this proposal was to reduce the annual contribution for Sinking Funds to be made from current revenues, to the extent of Rs. 11 lakhs, by drawing, to an equivalent extent, upon this Sinking Fund for a period of five years. As I have stated above, we do not want now any extraneous help for meeting our liability to Sinking Funds. As one of the conditions of this proposal of utilising Rs. 11 lakhs every year out of the Sinking Fund, we had offered to refund the amount "as soon as our financial condition permitted of such restoration". The election of this alternative would involve compliance with this condition of restoration of the amount. If we get a sum of Rs. 11 lakhs every year, we shall have to find the balance required for capital works otherwise, and this is another disadvantage of this alternative. The only other arrangement of finding the balance is to borrow and borrowing, as I have stated above, is expensive.

6. The second alternative suggested by the Secretary of State is to allow us "to appropriate the interest on the existing Sinking Fund for a period of 15 to 20 years." The annual yield of the Sinking Fund is about Rs. 5 lakhs and this is all the amount which we shall get every year according to this alternative. It is a very small part of the amount which we shall require in each of the next two or three years. What we want is a substantial addition to our capital finances in the near future and not a small amount spread over a long period of 15 or 20 years.

7. The second alternative proposed by the Secretary of State is not suited to our present needs and it cannot, therefore, be accepted. The first alternative would be better than the second, if the Secretary of State agreed to give us the whole sum of Rs. 55 lakhs in one instalment, instead of spreading it over five years and if he would not also insist upon the restoration of the amount. If he is agreeable to revise this alternative in these two respects, it will be improved in the direction we desire, but if he insists upon the condition of repayment, the advantages of even this alternative will be seriously reduced. Apart from this consideration, this alternative is, by no means, the best, as it still leaves us in need of having to borrow for finding the balance of our capital demands in the next two or three years.

8. I think we should press for the acceptance of the arrangement suggested by the Government of India and agreed to by us. It does not appear from what is stated in the letter under consideration that the Secretary of State has ruled it out altogether. He apprehends that this arrangement would "involve the entire dispersal of the fund for the time being, leaving its reconstitution dependent upon future annual payments by the Mysore Government, which might not be forthcoming if they continue to be hard pressed financially"; it is in view of this apprehension that he has suggested two other alternatives. I do not think there is any need for this apprehension at all and it is quite easy for us to convey an unqualified assurance in this respect. There is no fear of the "dispersal of the fund" as there is no intention of utilising it unproductively. It will be earmarked for capital works and what the arrangement amounts to is the conversion of a liquid into a non-liquid asset. The Fund will be there, but only in the form of productive works and not in the form of securities.

9. As for the annual payments to be made for reconstituting the Fund, the amount to be paid annually is Rs. 3,60,000 and there is no reason whatever to apprehend that we shall ever be unable to make this small payment in any year. Considering our resources this amount is a very small one and the Secretary of State ought not to have any anxiety as regards our ability to pay this amount every year. The railway line for which this loan was raised from Gubbi to Harihar is being worked by the Madras and Southern Mahratta Railway Company and this arrangement will continue till the year 1937. The net revenues of this line are being paid to us by the Government of India every month and we can authorise them to retain out of such earnings a sum of Rs. 3,60,000 towards the annual contributions of the new Sinking Fund. For the next 14 years, therefore, the money to be appropriated annually towards the Sinking Fund will be in the possession of the Government of India and the Secretary of State need not, therefore, have any misgivings as to the annual payments in that period and after that period, the

amount will have to be paid directly by us, but considering the fact that the amount is comparatively small, there is no reason to fear that we shall fail in paying it. If it is necessary, we may even agree to the amount being retained out of the surplus revenues of the Civil and Military Station. Altogether, it will be seen that the fears expressed by the Secretary of State are unfounded and when this position is explained, I think he will agree to release the whole of the Sinking Fund and replace it at our disposal.

10. We have the Government of India on our side in the proposal for releasing the whole Fund and making it available for our capital purposes. As I have explained above, the Secretary of State's disinclination to accept it is not on account of its being unreasonable, but of his misgivings which can be completely removed. We can convey an unqualified assurance that there will be no failure on our part in paying a sum of Rs. 3,60,000 annually towards the reconstitution of the Sinking Fund. On the strength of this guarantee, he may approve of the proposal of the Government of India and give us the benefit of the whole of the Sinking Fund which we badly want.

11. The conditions of the arrangement suggested by the Government of India amount to our getting a sum of about Rs. 90 lakhs subject to an annual payment of Rs. 3,60,000, that is, borrowing at 4 per cent. The arrangement is, in every way, the best that we can possibly make for our capital finance and I think we should, therefore, press for its being accepted by the Secretary of State. Another advantage of this arrangement is that we shall not only get the capital sum of Rs. 90 lakhs, but, on the assumption that we shall earn on this amount invested in the form of productive works, at least a sum of Rs. 5 lakhs which the Fund is now yielding, we shall also get about Rs. 1½ lakhs representing the difference between Rs. 5 lakhs earned on the investment and about Rs. 3½ lakhs to be paid towards the new Sinking Fund. This sum of Rs. 1½ lakhs ought properly to be utilised towards capital outlay and if it is so used, it will be a permanent annual addition to our capital resources.

12. I do not know if matters like this go before the Secretary of State or if they are settled by the Finance Member of his Council. If they do go before him, we have the advantage of the recent change of Government in Great Britain and we may expect that the matter will receive sympathetic consideration by the Secretary of State of the Labour Party now in office.

M. N. K.
11-2-1924.

Dewan.

13. I agree. A draft letter may be put up accordingly.

A. R. B.
13-2-1924

14. I have put up a draft .

M. N. K.
13-2-24.

15. Draft revised. May be brought up urgently at to-day's meeting.

A. R. B.
14-2-24.

16. To the Chief Secretary with compliments.

M. N. K.
14-2-24.

OPINION OF THE COUNCIL.

17. The draft letter to the Resident may be approved.

A. R. BANERJI,
Dewan of Mysore.

18. Financial Secretary with compliments.

K. M.
14-2-24.

19. D. S. N. and fair draft put up.

M. N. K.
14-2-24.

20. D. S. N. amplified according to Council discussion.

A. R. B.
15-2-24.

Submitted to His Highness.

21. I reported in my Submission Note, dated 21st August 1923 that the Residency had been addressed to request the Government of India to make the conditions of release of the Sterling Railway Loan Sinking Fund less onerous than those communicated in the Residency letter dated 20th June 1923, and the proposal was based upon my personal discussions with Sir Basil Blackett at Simla.

22. In the Residency letter dated 9th February 1924 just received, the orders of the Secretary of State on our proposal have now been communicated. The Secretary of State has approved of the principle of the proposal to allow us relief at the expense of the Sinking Fund, but has suggested two alternatives with a view to keep the whole or a part of the present Sinking Fund intact.

23. We stand committed to capital works of the Railway, Electrical and Irrigation (Krishnarajasagara) Departments and the demands on account of these works in the next few years will be not less than 40 lakhs per annum. As the result of all our efforts we have barely balanced the budget and we have no revenue surpluses to finance our annual capital programmes, nor have we any surplus holding of securities to dispose of, for meeting this demand. In such circumstances, the only alternative left is to borrow, and borrowing has to be avoided as long as possible, in view of the expensive terms which we shall have to offer to make the issues successful.

24. In the above circumstances, it is necessary to utilise the whole of the Sinking Fund for financing our capital works and neither of the two alternatives suggested by the Secretary of State serves the object we have in view. I have carefully considered the matter and find that in the position in which we are placed, it is necessary to request that the whole fund may be placed at our disposal. The Government of India agreed to release the whole Sinking Fund and make it over to us, and they are therefore on our side. From the Residency communication now under consideration, it does not appear that the Secretary of State has ruled out this proposal altogether and the alternative proposals that he has made are only in view of some misgivings which he has in regard to the re-constitution of the new fund from future annual contribution. There is no reason for the apprehensions entertained by the Secretary of State, and when the facts are placed before him, I am in hopes that he will approve of the recommendation of the Government of India. I therefore propose to address Mr. Barton accordingly, and submit the draft of the letter to him, which has been approved by the Council, for the gracious approval of His Highness.

25. I may add that the relative advantages under the three proposals were carefully weighed during the Council discussions. The payment of 5 lakhs per annum will not help us, as we must borrow about 40 lakhs a year, in one form or another and this will add to our burdens under Sinking Fund and Interest charges and this will come to more than 5 lakhs at the end of this period. Further, the interest to be paid by Government goes out of our pockets entirely, never to come back. The payment of 11 lakhs annually for 5 years can only reduce our liability under Part III of our account (please see my Budget Speech of June 1922), and may tempt us to use up the net surplus in recurring expenditure. Besides this will not avoid the necessity of further borrowing and its consequential embarrassments, so the third alternative is the most advantageous. We pay a sum not to others, but to ourselves in fact, and the money remains as ours. We save further borrowing and be free from the worries, anxieties and commitments of additional public debts, and we can draw gradually according to requirements although we must take care to see that the expenditure is really incurred on works which will yield a return of not less than 4 per cent.

A. R. BANERJI,
15-2-1924.

Order
K. R. W.
16-2-24

26. Financial Secretary-Letter despatched.

17-2-24
K. M.
18-2-24

D. O. No. R. 60, dated 17th February 1924, from the Dewan of Mysore, to Mr. W. P. Barton, C. S. I., C. I. E., I. C. S., Resident in Mysore, Bangalore.

I have received Mr. Cater's D. O. letter No. C. 3138-573, dated 9th February 1924, communicating the orders of the Right Hon'ble the Secretary of State in regard to the utilisation of the Mysore Railway Debenture Loan Sinking Fund. Before dealing with the question, which of the alternatives Government of Mysore would prefer to elect, I take this opportunity to convey the best thanks of His Highness' Government to yourself for your support and the Government of India and the Right Hon'ble the Secretary of State for the sympathetic consideration which they have bestowed upon this question.

The Government of Mysore have, as the result of various measures adopted by them, reduced their annual revenue finances to a condition of equilibrium and the problem which they are now trying to solve is the provision of funds for financing their capital works. As I have explained in my letter No. 529—C. B., dated 16th August 1923, our capital

demands in the next few years are heavy and it is therefore found necessary, if recourse to public borrowing is to be avoided, to make use of the Sinking Fund according to necessity for this purpose. The proposal of taking annually a sum of Rs. 11 lakhs from the Sinking Fund for a period of five years, which I had previously made, was with the object of meeting a part of the demand on account of the Sinking Funds required for our recent Rupee Loans.

The claims of new Sinking Funds can now be met, I am glad to be able to state, from our other resources, and the demand now to be provided for is on account of reproductive capital works. In view of the amounts required for these works in the next few years, the arrangement of drawing a sum of Rs. 11 lakhs annually from the old Sinking Fund would not fully serve the object in view and additional borrowing will become necessary. The second alternative of drawing upon the Sinking Fund to the extent of only its annual interest yield would, for the same reason, afford much less help in financing our capital works.

In the circumstances explained above, the Government of Mysore would feel grateful if the arrangement of releasing the whole Sinking Fund for the purpose of reproductive capital expenditure, approved by the Government of India and communicated in your letter No. C. 2626-573, dated 20th June 1923, is very kindly sanctioned by the Right Hon'ble the Secretary of State. The Mysore Government agree, as already stated in my letter No. 529, dated 16th August 1923, to contribute annually to the reconstitution of the Sinking Fund and they also accept, as now decided by the Government of India, that the annual contribution should be 2 per cent of the total debenture loan of £ 1,200,000.

It is stated in Mr. Cater's letter under reply that the objection to the adoption of this arrangement is that it would " involve the entire dispersal of the fund for the time being leaving its reconstitution dependent on future annual payments by the Mysore Government, which might not be forthcoming if they should continue to find themselves hard pressed financially." As the proposal is to utilise the Sinking Fund for only productive capital works, the consequence of such utilisation is that the fund, instead of being in the form of securities will be converted into another form of yielding asset in the shape of productive works and there is therefore no "dispersal of the Fund" in fact. As regards the apprehension that the reconstitution of the Fund would depend upon future payments to be made by the Mysore Government, which may not be forthcoming, I should like to make the position clear. The demand to be met annually is only Rs. 3,60,000 and it is a small amount compared with the annual revenues and resources of the Mysore Government. Whatever the adverse financial conditions at any time in the future may be, it is not conceivable that any difficulty would be experienced in paying this small amount in any year. I am prepared to convey the unqualified assurance of the Mysore Government that this annual payment will be strictly guaranteed in any manner the Secretary of State may be pleased to suggest, from the revenues of the State.

It will be seen from what is stated above, that the real need of the Mysore Government for the next few years is capital finance, and fortunately they have, in the Sinking Fund in question, the means of meeting a large part of this need and they therefore need not necessarily raise public loans to meet this demand. The propriety of utilising the Fund for productive works has been already discussed at very great length and it is therefore not necessary for me now to repeat the representation on that point. Suffice it to say that at present, there is no other means of finding money for our capital demands. I have explained above that the proposal made in my letter No. 529, dated 16th August 1923, which was formulated after our Simla discussions is the only suitable one which will meet the pressing requirements of our capital programme. As regards the reconstitution of the new Sinking Fund, the Mysore Government are prepared to give the necessary guarantee in respect of the annual payments required on the basis of the proposal made by the Government of India.

His Highness' Government feel assured that if all these facts are placed before the Right Hon'ble the Secretary of State, he will be pleased to approve of the recommendation of the Government of India as contained in para 2 of Mr. Cater's letter under reply. I shall feel much obliged if this representation is now submitted to the Secretary of State with the support of yourself and of the Government of India.

D. O. Letter No. C. 3257—573, dated the 27th June 1924, from Mr. Cater Secretary to the Resident in Mysore, Bangalore to the Dewan of Mysore.

Subject.—Utilization of the Railway Debenture Loan Sinking Fund by the Mysore Government.

Please refer to your confidential demi-official letter No. R. 60, dated the 7th February 1924 on the above subject.

2. Your representation was forwarded to the Secretary of State by the Government of India with the request that he would be pleased to reconsider the decision arrived at

by his predecessor. The Secretary of State while agreeing that it is reasonable to allow the Government of Mysore some assistance in meeting charges of new loans for capital works, especially during the period before the works in question become remunerative, is however, of opinion that the Mysore Government will get greater relief on the revenue side by temporarily hypothecating the interest on the Sinking Fund, as suggested in the second alternative in paragraph 3 of my demi-official letter No. C. 3138—573 of the 9th February 1924, than is offered by the proposal to utilise the whole Sinking Fund for the purpose of reproductive capital expenditure. The view held by the Secretary of State is that the appropriation of the whole of the Sinking Fund held against his contingent liability could only be justified if there were no prospect of the Government of Mysore being able to raise funds in the market on reasonable terms, and he has accordingly decided that if the Government of Mysore do not see their way to accept either of the alternatives previously offered in my letter referred to above, the only expedient left to them will be to raise the money by borrowing.

There is now no other alternative but to take the 11 lakhs a year. Please work up and draft a reply. A. R. B. 28-6-24.

3. I am to request that the Resident may be informed at an early date of the course which the Mysore Government elect to adopt.

Financial Secretary's note on the above.

The Residency letter dated 27th June 1924, now received and the previous letter dated 9th February 1924, make it clear that the Secretary of State is not willing to allow the corpus of the existing Sinking Fund to be touched. The Government of India held exactly the opposite view. They were in favour of allowing us to take back the whole of the existing Fund on condition that we were willing to form a new fund by contributing annually two per cent of the face value of the Loan. From the present Residency letter it is clear that the Government of India supported our request for the restoration to us of the whole of the Sinking Fund: but the Secretary of State is unwilling to comply with it as he does not want the Fund, so far built up to be taken out of his control. Again, the "contingent liability" of the Secretary of State is advanced in justification of the view held by him. There is, however, no use in pursuing the matter further, as it is evident from the Residency letter that the Secretary of State has decided to limit our choice to either of the two alternatives given in the previous Residency communication dated 9th February 1924.

The question now to be considered is, which of these two alternatives is more advantageous to us. The first is for payment to us of Rs. 11 lakhs each year for a period of 5 years and when we made this proposal, we had agreed to refund the amount "as soon as our financial condition permitted, of such restoration". The payment of Rs. 11 lakhs necessitates drawing upon the corpus of the Fund to the extent of about Rs. 6 lakhs as the annual interest income from the Fund is only about Rs. 5 lakhs. This alternative is evidently not acceptable to the Secretary of State, but he is willing to comply with our request, because, this was one of the alternatives put forward by us. The alternative more to his liking is the second one and this is clear from the fact that in the letter now received it is stated the Secretary of State recommends it as we shall receive more benefit by adopting it

Our aim was to get a large amount to meet our capital demands in the near future. This object cannot be fulfilled as the view held by the Secretary of State is unfavourable and decisive. What should now determine our choice is, which of the alternatives affords us the maximum advantage, though not in a short period. In this view there can be no doubt that the second is by far the better. This alternative is thus stated in the Residency letter dated 9th February 1924.

"The Secretary of State is prepared to allow the Mysore Government to appropriate the interest of the existing Sinking Fund till such time as this assistance can be dispensed with. This form of relief might be allowed for, say, 15 to 20 years in the first instance, the existing corpus of the Fund remaining intact".

It is clear from this statement that the annual aid to the extent of the interest income of the Fund can be continued indefinitely. The Secretary of State himself is prepared to offer it for a period of *15 to 20 years in the first instance*. A resource of about Rs. 5 lakhs per annum for an indefinite period of time is certainly a very valuable help in financing our capital programmes from year to year. It is true that the aid afforded each year is not much compared with the annual demands we have to meet for a few years more, but the continuity and certainty of this resource for an indefinite period of time are features the value of which cannot be over-estimated. There can, therefore, be no hesitation in accepting the second alternative which is also recommended by the Secretary of State himself as it leaves the corpus of the Fund untouched. The election of the first alternative offers no superior advantage in any respect. It will give us Rs. 11 lakhs a year for a period of 5 years and of this annual help, Rs. 5 lakhs is common to this as well as to the second alternative. The only advantage which the first alternative gives over the second is

represented by the difference of Rs. 6 lakhs and it is, limited for the period of 5 years. But this sum of Rs. 6 lakhs will be taken out of the corpus of the Fund and perhaps the Secretary of State will insist upon its refund after the period of 5 years is over. In fact, we had agreed to refund this amount when we had put forward this alternative ourselves. For this reason also, the first alternative is not acceptable.

I have accordingly put up a draft electing the second alternative.

A. D. S. N. is also put up.

M. N. K.
29-6-24.

I agree. Please circulate to members of Council for concurrence. The contribution we would have to pay in case corpus was handed over has also to be borne in mind. Five lakhs net we shall get from interest.

A. R. B.
6-7-24.

I agree.

M. H. H.
30-6-24.

I also agree.

K. R. S.

D. S. N. to go to-day.

A. R. B.
3-7-24.

Submitted to His Highness.

With the sanction of His Highness, the Residency was addressed in my D. O. No. R. 60, dated 17th February 1924, to make a further representation to the Secretary of State to make over to us the whole of the Mysore Sterling Railway Debenture Loan Sinking Fund, so far built up. In the reply to this communication which has now been received in Mr. Cater's letter No. C. 3287-573, dated 27th June 1924, it is stated that the Secretary of State is unwilling to give us the existing Fund, but is prepared to allow us to utilise the annual interest on it for an indefinite period. We wanted to get control over the whole Fund with a view to use it for the heavy demands to be met in the next few years on account of capital works. This is now not possible in view of the reluctance of the Secretary of State to part with the Fund in his custody. At the same time, the alternative offered by him has its own advantages as the benefit of it can be had as long as there is need for it. In view of this consideration, I think we may elect the second alternative. It will give us a sum of Rs. 5 lakhs every year for as long a period as we like. The certainty of an annual resource of Rs. 5 lakhs for our capital works is a factor of great value in our annual finances. I request, in these circumstances, the gracious sanction of His Highness to accept this alternative and to issue the draft put up.

A. R. B.
3-7-24,

Order.
K. R. W.
5-7-24.

D. O. No. R. 1, dated 9th July 1924, from the Dewan of Mysore, to Mr. A. N. L. Cater, Secretary to the Hon'ble the Resident in Mysore, Bangalore.

I have received your confidential D. O. No. C. 3257—357, dated 27th June 1924, regarding the utilisation of the Railway Debenture Loan Sinking Fund. As the Secretary of State has decided that the existing Sinking Fund should be left intact, the Government of Mysore prefer to elect the second alternative which is thus stated in para 3 of your confidential D. O. No. C. 3138—573, dated 9th February 1924:—

"The Secretary of State is prepared to allow the Mysore Government to appropriate the interest on the existing Sinking Fund till such time as this assistance can be dispensed with. This form of relief might be allowed for, say, 15 to 20 years in the first instance, the existing corpus of the Fund remaining intact."

His Highness' Government will feel obliged if the Government of India are requested to issue orders for making over to them the whole of the annual interest on the existing Sinking Fund commencing from the current year.

Copy of Letter D. O. No. 3348—573, dated 18th August 1924, from A. N. L. Cater, Esq., to the Dewan.

I am desired to refer to your demi-official letter No. R. 1 of the 9th July 1924, and, at the instance of the Government of India, to state that, as it is likely that the interest of

the Fund, already realized, may have been invested wholly or in part, it may not be possible to make over to the Durbar the whole of the interest for the current year. The Secretary of State has, however, been informed of the Durbar's decision and asked to make over to them all interest realized, but not invested up-to-date and all interest realized in future up to the 31st March 1939, inclusive.

The exact method to be adopted in disbursing realization in England will be settled by the Controller of Currency, Calcutta, in consultation with the Comptroller, Mysore."

D. O. Letter No. R. 3, dated 20th August 1924, from the Dewan of Mysore, to Mr. A. N. L. Cater, Secretary to the Hon'ble the Resident in Mysore, Bangalore.

I have received your D. O. No. 3348-573, dated 18th August 1924, regarding the payment of the annual interest on the Sinking Fund of the Mysore Sterling Railway Loan. You state that the Secretary of State has been requested to make over to the Mysore Government "all interest realised in future up to 31st March 1939, inclusive". I would, in this connection, invite reference to the arrangement approved by the Secretary of State and communicated in your D. O. No. C. 3138-573, dated 9th February 1924. The Secretary of State has agreed to allow the Government of Mysore to appropriate the interest on the existing Sinking Fund for "twenty years in the first instance" and I do not, therefore, understand why it is now proposed to inform that authority that the appropriation should be only up to 31st March 1939, *i.e.*, for a period of 15 years. I would request that the arrangement approved by the Secretary of State and accepted by the Government of Mysore may be fully given effect to by substituting 1944 for 1939.

If any part of the interest realised in the current year has already been invested, the new arrangement cannot, of course, be applied to it as stated by you and the balance, if any, remaining uninvested and the interest hereafter realised may be arranged to be made over to the Mysore Government. The exact method to be adopted for affording credit to Mysore may, as suggested by you, be settled by the Controller of the Currency in consultation with the Comptroller of Mysore.

Submitted to His Highness.

In reply to our further representation to the Government of India to make over to us the whole of the Mysore Sterling Debenture Loan Sinking Fund so far built up, the Residency stated that the Secretary of State was unwilling to part with the existing fund, but was prepared to allow us to utilise the annual interest thereon practically for an indefinite period. With the approval of His Highhess, the Residency was, in my letter No. R. 1. dated 9th July 1924, requested to move the Government of India to make over the whole of the annual interest commencing from the current year. The reply received from the Secretary to the Resident dated 18th August in this matter is submitted for kind perusal. The decision indicated in this letter involves a very important departure from the offer made by the Secretary of State and accepted by us. I refer to the attempt at whittling down the benefit of the arrangement by limiting its period to 15 years instead of to 20 years. Mr. Cater's letter states that "all interest realised in future up to 31st March 1939" will be made over to us. It is necessary to have this mistake corrected and I have accordingly informed Mr. Cater in my letter of this date that the payment should be for a period of 20 years in the first instance according to the arrangement approved by the Secretary of State and communicated to us in the Residency letter of the 9th February 1924.

A copy of my letter to Mr. Cater is submitted herewith for His Highness' kind perusal.

Order.

K. R. W.
22-8-24.

D. O. Letter No. C. 3360-573—dated 26th August 1924, from Mr. A. N. L. Cater, Secretary to the Resident in Mysore, Bangalore to the Dewan of Mysore.

I am desired to reply to your confidential demi-official letter No. R. 3. dated the 20th August 1924, in which you state that the agreement agreed to by the Secretary of State was that the Mysore Government would be allowed to appropriate the interest on the sinking fund for "twenty years in the first instance," and you say that this fact was conveyed to you in my demi-official letter No. 3138—573 of the 9th February 1924. If you will kindly refer to paragragh 3 of this letter it will be seen that you have made a slight misquotation, for it says that the period would be for "15 to 20 years in the first instance;" *vide* also your demi-official No. R. 1. of the 9th July 1924, in which you quote from my letter of the 9th February. The date "31st March 1939," is therefore in accordance with the arrangement approved by the Secretary of State.

I have put up a draft and the previous papers.

I have proposed to address Mr. Watson himself and not Mr. Cater.

What exactly is the doubt or difficulty felt by the Residency I cannot make out and to my mind it seems that the Secretary of States' order cannot be understood in any way other than that in which we have taken it. If considered desirable and if there is occasion for it a personal talk with Mr. Watson may set matters right.

M. N. K.
27-8-24.

D. O. Letter No. R. 4 dated 28th August 1924 from the Dewan of Mysore to the Resident in Mysore, Bangalore.

I request you to kindly refer to the correspondence ending with Mr. Cater's demi-official letter No. C. 3360—573, dated the 26th August 1924. The order of the Secretary of State, communicated through Mr. Cater's demi-official letter No. C. 3138—573, dated 9th February 1924 is as follows:—

The Secretary of State is prepared to allow the Mysore Government to appropriate the interest on the existing Sinking Fund *till such time as this assistance can be dispensed with.* This form of relief might be allowed for, say, *15 to 20 years in the first instance.*

I hope you will agree with me that this order cannot be construed as limiting the period during which the interest on the Fund can be utilised by the Mysore Government to only 15 years. It suggests a period of 15 to 20 years and the arrangement may be permitted to be continued thereafter, if necessary. What was stated by me in my letter, *viz.*, 20 years in the first instance, is not, I venture to point out, a misquotation. I took the longer period suggested in the alternative, for, we do require the assistance at least for 20 years to begin with. It cannot be said that the Secretary of State has approved of the period of 15 years only and vetoed it for 20 years and that, therefore, the date should, in accordance with that decision, be 31st March 1939. I would therefore request you very kindly to support the request to grant this assistance for 20 years in the first instance a period which is clearly stated in the alternative, in the decision of the Secretary of State, and as such, is permissible, if we wish to avail ourselves of it.

Letter No. 359 Books dated 5th September 1924 from the Comptroller, Mysore Government.

I have the honour to forward herewith for information, copies of letter No. Sec. 952, dated 26th August 1924, from the Controller of the Currency, Calcutta, enquiring as to the method in which interest accruing on the Mysore Railway Debenture Loan Sinking Funds, in India and in England, may be paid to Government and of my reply thereto.

Letter No. Sec. 952, dated 26th August 1924, from the Controller of the Currency, Calcutta, to the Comptroller to the Government of Mysore, Bangalore.

With reference to the recent decision of the Government of India that the *interest* accruing on the assets of the Mysore Railway Debenture Loan Sinking Fund in India and in England should for the time being be made over to the Durbar, I have the honour to enquire as to the method in which payment of this interest is desired. As regards the interest accruing on the rupee portion of the Fund, I am prepared to issue Trust Interest payment orders either on the Resident's Treasury at Bangalore, or on the Imperial Bank of India, Bombay, as the Durbar may desire. As regards the interest on the sterling portion of the Fund, the Durbar will presumably want payment to be made through their Bankers in England, Messrs. Coutts & Co. If however, they desire payment to be made in rupees in India, I shall be prepared to meet their wishes. Details regarding the rate of exchange will be considered if the Durbar signify their preference for this alternative.

I should be obliged if an early reply could be sent.

From T. Satyaraj Chetty Esq., B. A., Comptroller to the Government of His Highness the Maharaja of Mysore to the Controller of the Currency, Calcutta.

With reference to your letter No. Sec. 952, dated 26th August 1924, enquiring as to the method in which the payment of interest accruing on the assets of the Mysore Railway Debenture Loan Sinking Fund may be made, I have the honour to state that the interest as it falls due on each kind of the several securities held on account of the Fund may be paid as under—

1. Interest on Sterling Securities—

   May be paid to the credit of the Mysore Government Royalty account with Messrs. Coutts & Co. London.

2. Interest on Rupee Securities—

   Trust Interest payment orders on the Hon'ble the Resident's Treasury, Bangalore may be issued.

The Controller of the Currency has received orders from the Government of India to pay us the interest on the Sinking Fund according to the arrangement sanctioned by the Secretary of State and he has enquired of the Comptroller as to how payments should be made. The reply given by the Comptroller is alright. He may be required to classify the amount as a capital receipt to be devoted to capital purposes.

M. N. K.
10-9-24

I agree. A. R. B.
28-9-24.

Please inform Comptroller accordingly. M. N. K.
22-9-24

Letter No. Fl. 1809, dated 25th September 1924, from the Financial Secretary to Government to the Comptroller in Mysore, Bangalore.

With reference to your letter No. 359 B. K. S. dated 5th September 1924, forwarding for information copies of letter No. Sec. 952, dated 26th August 1924, from the Controller of the Currency, Calcutta enquiring the method in which interest accruing on the Mysore Railway Debenture Loan Sinking Fund both in India and in England, may be paid and your reply thereto, I am directed to state that your reply is alright. I am to request you to be so good as to classify the interest received as a capital receipt to be devoted to capital purposes.

Copy of D. O. No. 8151, *dated 25th October 1924 from the Residency, to the Dewan of Mysore.*

I am desired to refer to your demi-official letter No. R. 4 of the 28th August 1924, and to say that the Government of India would prefer to postpone condsideration of the request of the Mysore Government that the period of fifteen years for which they have been allowed to appropriate the interest on the existing sinking fund should be extended to 20 years. It is not possible to say what the position will be 15 years hence, but if some time, before the expiry of that period, the Mysore Government find themselves, in no better position financially, the question of extending the period will be considered on a representation being made by them.

W D 743—GPB—100—2-1-25.

Statement showing the interest earnings of the Madras and Southern Mahratta Railway Sterling Debenture Loan Sinking Fund Investments, for 1923-24 and 1924-25.

RUPEE INVESTMENTS.-

	Face value Rs.	Rate 4 % less ¼ p.c. commn:	Net interest realised. Rs.
4 % Govt. of India Pro-notes of 1916-17,	3,50,000.		13,965.
3½ % -do- of 1865,	100,73,800.	3½ % -do-	3,51,701.
3 % -do- of 1896-97,	10,66,100.	3 % -do-	31,903.
5 % -do- of 1929-47,	1,00,000.	5 % -do-	4,987.
4 % Madras Municipal Debentures,	3,00,000.	4 % -do-	11,970.
		Total,	4,14,526.

STERLING INVESTMENTS.-

	£.	£
4 % M. & S.M. Debentures,	10,500.	420.
5½ % India stock,	16,161-17-5.	888.
5 % National War Bonds,	28,617-18-1.	1431.
4 % Bombay City Improvement Debentures,	31,300.	1252.
Total,		£.3991. @ 1s.4¾d. Rs. 57,185.

Total for 1923-24, Rs. 4,71,711.
or, " 4,72,000.

During 1924-25.

Interest earnings during 1923-24, on rupee investments, Rs. 4,14,526.

Add interest @ 5 % on above, realizable in 1924-25 by investment of the same, 20,726.

Total, Rs. 4,35,252.

Interest earnings during 1923-24, on sterling investments, £.3,991.

Add interest @ 5 % realizable in 1924-25, £. 199.

Total, £.4,190.

@ 1s.4¾d. Rs. 60,036.

Total for 1924-25, Rs. 4,95,288.

or Rs. 4,95,000-

SECURITIES HELD IN THE MYSORE RAILWAY DEBENTURE LOAN SINKING FUND ON 30th June 1923.

No.	Description of securities.	Face value.	Market rate.	Market value.	Yield.	Remarks
		Rs	%	Rs	Rs	
1.	Government of India 4 % Pro-notes of 1916-17 ..	3,50,000	84	2,94,000	13,965	
2.	-do.- 3½ % -do.- 1865 ..	1,00,73,800	66	66,48,708	3,51,701	
3.	-do.- 3 % -do.- 1896-97 ..	10,66,100	55	5,86,355	31,903	
4.	-do.- 5 % -do.- 1929-47 ..	1,00,000	92	92,000	4,987	
5.	4 % Madras Municipal Debentures	3,00,000	57*	1,71,000	10,857	
		1,18,89,900		77,92,063	4,13,413	
		£		£	£	
6.	M & S.M.Ry 4 % Sterling Debenture Stock 1-3-1936 .	10,500	75%	7,875	420	
7.	India 5 % Sterling Stock	16,161-17-5	about par.	16,161	888	
8.	5 % National War Bonds 1-9-1928	28,617-18-1	,,	28,617	1,430	
9.	4 % Bombay City Improvement Trust Sterling Debentures	31,300	63¼*	19,797	1,252	
		86,579		72,450	3,990	
				Rs88,78,813	Rs4,73,263	
				say roughly	say roughly	
				Rs90 lakhs.	Rs5 lakhs.	

(* Purchased rate.)

STOCK 58

THE. £

MADRAS AND SOUTHERN MAHRATTA RAILWAY COMPANY LIMITED,

formerly The Southern Mahratta Railway Co.Ltd.,

incorporated under the Companies Act.

F O U R P E R C E N T D E B E N T U R E S T O C K.

Fol.No. not redeemable before 1st March 1936.

PRINCIPAL AND INTEREST GUARANTEED BY THE SECRETARY OF STATE FOR INDIA IN COUNCIL.

THIS IS TO CERTIFY THAT.....

.....

.....is the Registered Propietor of

£ _____ POUNDS

of FOUR PER CENT DEBENTURE STOCK in the MADRAS AND SOUTHERN MAHRATTA RAILWAY COMPANY LIMITED,

subject to the conditions endorsed hereon.

GIVEN under the Common Seal of the said Company

the day of 19

)
_____)
)
)
_____)Directors

_____, Secretary.

No transfer of this stock can be registered without the production of this Certificate. The stock is divisible into and transferable in amounts of not less than one pound.

THE SOUTHERN MAHRATTA RAILWAY COMPANY, LIMITED.

C O N D I T I O N S.

1. Until the redemption of the Debenture Stock as hereinafter mentioned, interest shall be paid upon the same, or upon so much thereof as shall not be redeemed, at the rate of 4 per cent. per annum, by equal half-yearly instalments, on the 1st day of April and 1st day of October in each year. All interest on Debenture Stock, and all money payable for the redemption of the same, shall be paid at the bankers for the time being of the Company, or at such other place as the Secretary of State for India in Council shall appoint, by notice advertised in the London Gazette, to the registered holder or registered holders for the time being, and interest may at the discretion of the payor, but at the risk of the payee, be sent by warrants, by post, to the registered holder.

2. The holder or holders of Debenture Stock shall be entitled to a Certificate of the Stock held by him or them.

3. A register shall be kept of the persons entitled to the Debenture Stock, and Debenture Stock shall be transferable by instrument in writing. The instrument of transfer, accompanied by the Certificate relating to the Stock to be transferred, shall be lodged with the Company, or in such manner as the Secretary of State may, by notice in the London Gazette, from time to time require, and thereupon the transfer shall be registered in respect of the Stock transferred: Provided that before registering a transfer by any person not on the Register, or entering upon the Register any person becoming entitled otherwise than by transfer, proper evidence of the title of the transferee, or the person applying to be registered, may be required. Before registering any transfer, or transmission of Debenture Stock, payment of any fee charged (not exceeding 5s) shall be paid.

4. The receipt of the registered holder or holders, and the survivor of survivors of joint-holders, or the executors or administrators of a holder not being a joint-holder, or of the last survivor of joint-holders, shall respectively be a complete discharge for any principal money or interest payable in respect of Debenture Stock, notwithstanding that notice of any charge or unregistered transfer or transmission may have been received. And no charge, trust, or equitable or Limited interest shall be registered: Provided further, that in the case of joint-holders, Interest Warrants may be made to the order of and sent or given to the holder whose name occurs first on the Register, unless all the joint-holders otherwise direct.

5. If the Secretary of State for India shall, by advertisement in the London Gazette, give one year's notice, ending on the 1st of April or 1st of October in the year 1936, or any subsequent year, of an intention to redeem the Debenture Dtock of this issue, or any part thereof, then the principal money represented by the Debenture Stock of this issue, or such part thereof, as may be referred to in such notice, shall be repaid upon the day thereby appointed.

6. In the event of the system called The Southern Mahratta Railway being taken over by the Secretary of State for India in Council under exisiting contracts between the Company and the Secretary of State, or otherwise, upon the expiration or determination of the said contracts, all liability in respect of the Debenture Stock of this issue is to be adopted by the Secretary of State, and accordingly this Debenture Stock is issued on the

express condition that upon The Southern Mahratta Railway being taken over as aforesaid, or upon the expiration or determination of the said contracts, all liability of the Company under or in respect of this Debenture Stock, whether for principal or interest accrued or not due, shall absolutely cease to all intents and purposes.